

# **Government ideology and citizen trust in times of recession**

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# Abstract

How does government ideology affect the likelihood of trusting national governments during economic hardship? There are well developed economic theories which indicate that economic hardship affects the popularity and the support in political institutions (Nannestad & Paldam 1994, Roth et al. 2011, Roth, Nowak-Lehman & Otter 2013, Lewis-Beck & Stegmaier 2013), but more research is needed, that studies how peoples' trust in government is moderated by party ideology during economic hardship. This thesis examines the relationship between government ideology and trust in national governments across eight European countries from 2005-2010. The time-series data derives from the standard European Commission's Eurobarometer survey, The Parliament and Government Composition Database (ParlGov), the International Monetary Fund and the OECD Social expenditure reference series. The empirical analysis seeks to explain whether government ideology has a moderating effect on peoples' life satisfaction and trust in national governments during economic hardship. The hypotheses build on issue ownership relating to fiscal issues and unemployment and centre-right and social democratic parties in government are given the main focus. A set of hypotheses concerning political trust and government ideology is tested empirically on quantitative time series data from Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden. Christian democratic and conservative parties are added together in the analysis, which assesses centre-right governments level of trust vis-à-vis social democratic governments. The results show that economic hardship causes serious legitimacy issues for both centre-right and social democratic parties. However, centre-right government maintains a higher level of trust when testing the effect of GDP recession separately, and the opposite is true for social democrats when running a separate test on unemployment. Having a liberal government was associated with an increase in trust, but only when assessing a situation of GDP recession separately.

**Key words:** Trust in national governments, party ideology, economic hardship, issue ownership, time series analysis.



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## Outline

Researchers have not yet extensively explored whether government ideology moderates levels of trust during economic hardship. This thesis adds to the growing literature on support for incumbents during economic hardship by assessing trust in governments in eight European countries from 2005-2010. The economic crisis starting in late 2007 constitutes an interesting backdrop for assessing the relationship between political trust and government ideology. This thesis aims to explore whether government ideology moderates trust in national governments during economic hardship. By examining data from twelve spring and autumn Eurobarometer surveys covering periods both before and after recession, we explore which political ideology that is most likely to lose or gain legitimacy during an economic recession. The empirical analysis assess whether peoples' level of confidence in their national governments during recessions depended on government ideology. By using data on trust in national governments, government ideology and macroeconomic variables, the empirical analysis shows some general trends on how party ideology is related to trust in incumbents during difficult times, as well as assessing the effect of high unemployment and experiencing a GDP recession in separate tests. In line with the established literature on support in political institutions and macroeconomics, we hypothesise that experiencing economic hardship will generally cause a drop in trust in national governments, except for liberal parties during GDP recession (Nannestad & Paldam 1994, Roth et al. 2011, Roth, Nowak-Lehman & Otter 2013, Lewis-Beck & Stegmaier 2013, Giger & Nelson 2011).

To begin with, the thesis scrutinises some visual data showing how confidence in national governments drops as the government faces economic hardship. The first chapter presents the research question, reviews previous studies, and explores how data on government ideology may condition the relationship between trust in political institutions and economic hardship. Drawing on issue ownership-theory, the thesis proposes some hypotheses explaining why people might turn to policy solutions of the left or the right when experiencing high unemployment rates and a stagnating economic growth. According to traditional issue ownership theory, left-of-centre governments are expected to keep the level unemployment low, while right-of-centre governments are believed to be superior at stimulating economic growth (Hibbs, 1977; Belager & Meguid, 2008:477; Belke & Potrafke, 2012:1127). However, recent research suggests that social democrats have become more market-oriented in their policy solutions, especially in times of economic crisis (Jensen & Mortensen 2014).

As a consequence, social democrats are believed to increasingly have earned issue ownership in fiscal matters vis-à-vis centre-right parties (Jensen & Mortensen 2014). Given that social democrats and conservatives are now both enjoying issue ownership on fiscal issues, assessing the difference in trust between the two ideologies during economic hardship makes for an interesting case. The analysis adds conservative and Christian parties together, operationalised as centre-right parties. The terms “conservative” and “centre-right” are used interchangeably throughout the thesis.

Chapter two explores the contested concept trust, and discusses how an external shock like an economic recession relates to trust in political institutions. Further, the chapter presents the lines of conflicts and current policies of social democratic, centre-right and liberal parties, before presenting a set of hypotheses.

Chapter three presents the research design, the data, variables and the sampling procedure of the dependent variable, followed by a discussion of operationalisation of the variables in the analysis. After having discussed the variables, I discuss the choice of statistical model and how the coefficients from the analysis are estimated. The analysis uses matching of data in order to improve the balance of data, and to reduce model dependence. The empirical analysis uses a difference in differences approach for answering the question on how government ideology affects trust in national governments during economic hardship.

In chapter four, the results from the difference in differences-estimations are presented, before turning to a discussion and conclusion of the results in light of the stated hypotheses.

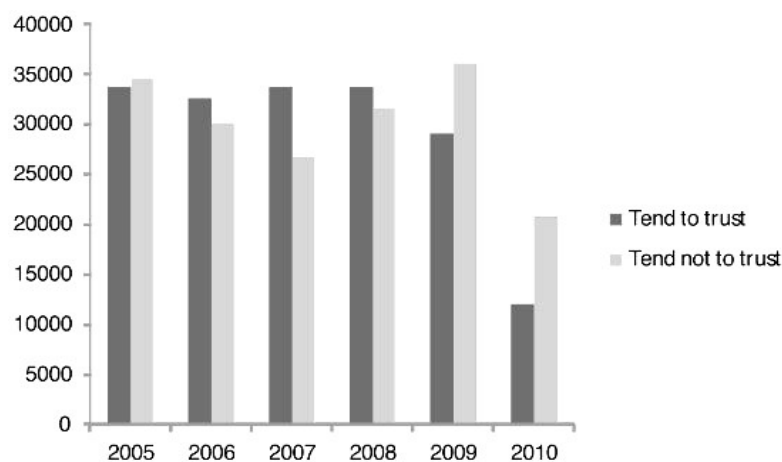
In chapter five, I discuss the validity of the results in light of Adcock & Colliers framework of measurement validity (2011), before turning to some concluding remarks.

In the appendices, I perform a series of robustness test, using a range of different matching-algorithms. This is done to ensure that the findings in the empirical analysis are not driven by the choice of matching technique. Overall, the main impression is that the results are quite robust.

# Chapter one. Introduction

## 1.1 Trust and economic hardship

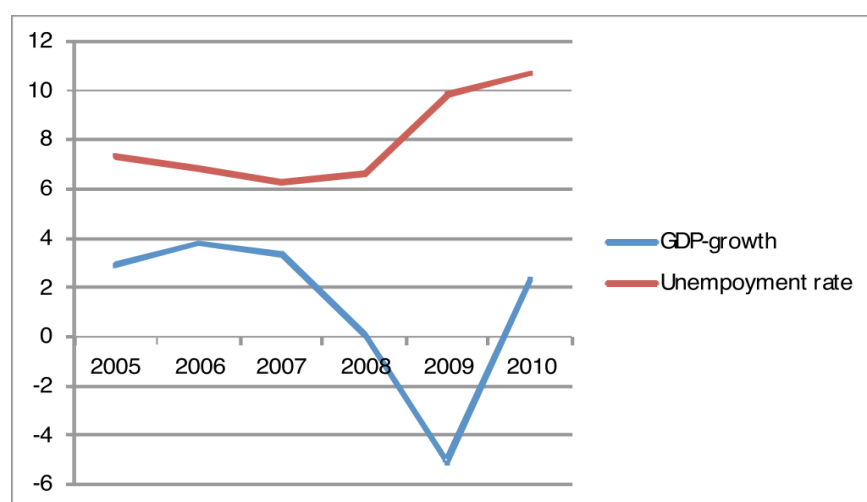
In late 2007, an economic recession started growing across several European countries, and particularly in the Euro Zone (Jónsson & Stefánsson 2013:13). As a consequence of a sovereign debt crisis, unemployment started rising, and economic growth stagnated (Jónsson & Stefánsson 2013:13). By 2010, the unemployment rate had reached its peak across OECD countries, hitting 8.3 % (Jónsson & Stefánsson 2013:15). Yet, there were huge national variations in to how the recession influenced the economies of Europe (Jónsson & Stefánsson 2013; Starke, Kaasch & Van Hooren, 2014:225). In Northern Europe, unemployment rates varied between 5% and 10%, while many Southern European countries experienced unemployment rates well above 10% (Jónsson & Stefánsson 2013:15). Growth did resume in many countries by 2010, but for many, the recovery was modest or uneven (Jónsson & Stefánsson 2013:13). The unpopular comeback of austerity policies derives from the multilayered financial crisis inaugurated in 2007- 2008 (Clarke & Newman, 2012:2). The severity of the general recession has challenged welfare states, as their financial, social and political foundations were threatened by tightened government budgets and growing uncertainty (Jónsson & Stefánsson 2013:15). In Britain, prime minister Cameron presented the need for retrenchment within the rhetoric of creating 'Big Society', referring to civil society in fulfilling some of the tasks traditionally performed by the welfare state (Jónsson & Stefánsson, 2013:17).



**Figure 1.1.** Trust in national governments across Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden, 2005-2010. Source: Eurobarometer.

Figure 1.1 shows the average annual level of trust citizens report to have in national governments across Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden from 2005-2010. From 2005-2007, the ratio of people who report that they do not tend to trust their national government, decreases. From 2007 to 2008, we see an increase in the proportion of people reporting that they tend to trust their political leaders. From 2009 to 2010, the proportion reporting that they tend not to trust their national government, have grown significantly larger than the proportion who report that they tend to trust their national governments.

Previous studies examining the relationship between trust in political institutions and macroeconomic variables have found that uncertainty in political institutions grows as people are facing difficult times, and this leads to a potential loss of legitimacy in political leaders. Roth, Nowak-Lehman & Otter (2013) found that the decreasing level trust during 2007 and 2008, were mainly driven by countries belonging to the Euro Zone (EA12), as these were hit the hardest by the recession. However, the severity of the recession varied considerably across EU-member states, and Bermeo & Bartels claim that “the Great Recession did not cause striking changes in peoples' political perceptions and behavior” (2014:8). Generally, Belgium, Denmark, France, Germany, Italy, Luxembourg, the Netherlands and the United Kingdom were moderately affected, while Spain, Greece, Portugal, Iceland and Ireland were hit hardest by the general recession in terms of unemployment rates and economic growth (Kriesi, 2014:307; Jónsson & Stefánsson, 2013:14 ).



**Figure 1.2.** Annual percentage growth in Gross Domestic Product and unemployment rates across Austria, Belgian, Denmark, Finland, Ireland, Italy and Spain and Sweden from 2005-2010. Source: The IMF and the OECD Social expenditure reference series.

By 2006, figure 1.2 shows a trend towards a weaker economy in terms of GDP growth.

We see a drastic drop in GDP growth from 2007 until 2009. Between 2009 and 2010, the GDP growth increasingly recovers, but at the same time, the unemployment rate keeps growing in the wrong direction. The graph shows a period of general economic hardship lasting from 2007 until 2010, measured as either a worsened unemployment rate or as economic growth. By mid-2008, a GDP recession is evident, and the lowest rate in economic growth was hit in mid-2009.

## **1.2 Political consequences of economic hardship**

A context of recession is associated with a reduced scope for policy-choices, and a potential legitimacy crisis for political leaders, as the state of the economy worsens and unemployment rises (Heise 2012:51; Armingeon & Ceka, 2013:9). It is unclear whether the recession actually led governments to generally follow a path of retrenchment, and some scholars claim that even in spite of austerity, there was still room left for party politics as usual (Jensen & Mortensen, 2014). A situation of tighter budgets may lead to a shrinking maneuvering-space, resulting in a situation that especially leads to a change of policies for left-of-centre parties (Jensen 2010). A recession may have led social democrats to increasingly embark on a retrenchment-path more similar to conservatives (Jensen 2010). Conservatives on the other hand, may similarly have changed their stances on economic policies, to become more similar to traditional left-of-centre parties. This thesis will study how government ideology moderates the likelihood of trusting national governments during economic hardship.

The research question reads as follows: *How does government ideology moderate the likelihood of trusting national governments during economic hardship?*

## **1.3 Why is the research question important?**

A central question that pervades the ideology of all parties, is the role of state-involvement in the sphere of economics. Parties left-of-centre, claim that the state should have a more regulatory role in politics and economics, while right-of-centre parties believe in less state-intervention in economics, leaving more power to the free market (Jensen & Mortensen, 2014). Hobolt et al. found that “voters are less concerned with identifying which part of the political system is responsible, than with identifying a single political part they can reward or punish” (2012:165). Studying cabinet parties during times of recession makes an interesting case, since national governments are likely to be blamed for worsening economic conditions (Hobolt & Tilley 2014). If the results of the analysis indicate a definite success of either Social democrats or Conservatives during economic hardship, this points to serious

legitimacy-issues of the parties that failed to deliver promising policy solutions. If the analysis of the period of recession shows a definite success or failure of a particular ideology, this may also have future implications. Given that the policies of Social democrats and Conservatives receive increased attention in a situation of high uncertainty, people might use their past experiences with their national governments as a perceptual frame for future recessions. Re-establishing trust once it is damaged, can prove a difficult task for parties that have lost a sense of legitimacy due to an external shock (Easton 1975).

## **1.4 Economic voting**

‘The citizen votes for the government if the economy is doing all right; otherwise, the vote is against’ (Lewis-Beck & Stegmaier, 2000:183). In the literature of economic voting, elections are understood as a sanctioning device, through which people can express their trust or distrust with the current government. The state of the economy is theorised as being connected to government support in two ways: through measures of votes, or by popularity (Lewis-Beck & Stegmaier, 2013:368). The economic voting-perspective claim that voters merely assess the performance of the incumbent government, independently of expectations related to government ideology and issue ownership (Bermeo & Bartels, 2014:186). Lewis-Beck & Stegmaier (2013) found that unemployment rates, inflation, and economic growth are closely related to trust in institutions. Roth et al. found unemployment to be the primary determinant of trust in governmental institutions (2011:16). Rohrschneider et al. states that voters in established democracies “have been socialized to change government when they are unhappy with the economic performance of a party because they (rightly or wrongly) have come to believe that this will in due improve the economy under a new set of governing parties” (2010:18). Clearly, changes in the economy does affect the popularity of national governments, but not always in a negative manner. Giger & Nelson (2011), found that liberal parties actually increase in popularity during economic recession. The findings are explained by pointing to both parties and voters being diverged in the question of cutting governments' social spending when facing a recession (Giger & Nelson, 2011).

## **1.5 Explaining popularity in terms of ideology**

While the link between economic outcomes and votes is widely studied (Key, 1966; Fiorina, 1981; Lewis-Beck, 1988; Easton, 1965a; Norris, 1999; Sanders, 2000; Veiga & Veiga, 2004; Kirchgässner, 2009, Lewis-Beck & Stegmaier, 2013:367), the question of how government ideology may have a moderating effect on political support is less so. The literature has not yet reached any firm theoretical or empirical conclusions regarding how ideology affects trust in political institutions. Nannestad & Paldam linked the state of the economy and support for parties and politicians through elections, known as the vote and popularity functions, or “VP functions” (1994:213-245). The vote and popularity functions explain the support for the government as a function of both economic and political outcomes (Nannestad & Paldam, 1994:213-245). Previous studies have shown some evidence of a link between the state of the economy and support for political incumbents (Key, 1966; Fiorina, 1981; Lewis-Beck, 1988; Easton, 1965a; Norris, 1999; Sanders, 2000; Veiga & Veiga, 2004; Kirchgässner, 2009; Lewis-Beck & Stegmaier, 2013:367), yet comparative studies have found that the strength of the relationship varies between countries and time (Paldam, 1991; Anderson, 2007). Having emphasized that a worsened economy affects trust, this thesis explores the relationship between economic performance and reward and punishment further, by including government ideology as an explanatory variable. Lewis-Beck & Stegmaier (2013) reviews 16 studies that examine the relationship between economics and voting. One of the implications from their review is that political variables included in studies often measure institutional clarity, rather than government ideology (Powell & Whitten, 1993:398; Hobolt, Tilley & Banducci, 2012; Lewis-Beck & Stegmaier, 2013:376; Tilley & Hobolt, 2014). This thesis follows the established literature that links the economy to government support, but rather than focusing on institutional factors in explaining the link between the economy and government popularity, the analysis seeks to explore whether the relationship can be explained in terms of political ideology. The new politics perspective claim that partisanship is declining, vis-à-vis a growing importance of “new politics” (Giger & Nelson, 2011:6). The “new politics” argument claim that the traditional conflicts placing parties to the left or to the right, have become less central, and that issues such as immigration, environmental protection, regionalism and nationalism are growing in importance (Giger & Nelson, 2011:6). This thesis takes an “old-politics”-approach, focusing mainly on economic conflicts between conservative and social democratic ideologies, as organised along the traditional left-right continuum. Roth et al. (2011) studied the relationship between trust in governmental institutions and the economy from 1999-2012, by controlling for inflation, GDP per capita, unemployment and debt per GDP (Roth et al., 2011:7). The findings are in line with the



economic voter-theory, showing that the state of the national economy does have consequences for the legitimacy of incumbents (Roth et al. 2011). Rochschneider et al, reaches a similar conclusion, showing that people vote retrospectively based on economic performance (2010).

## **1.6 Connecting government ideology and economic recession: issue ownership**

According to the issue ownership theory of voting, “voters identify the most credible party proponent of a particular issue and cast their ballots for that issue owner” (Belanger & Meguid, 2008:477). Petrocik was the first to use the term issue ownership, which states that parties enjoy an advantage of competence over their competitors on a specific issue (Petrocik, 1996). This reputation or perception of competence may in turn create a set of expectations regarding how parties of different ideologies are believed to succeed or fail when attempting to solve a specific policy-issue (Belanger & Nadeau, 2015:909; Budge & Farlie, 1983; Egan, 2013; Belanger & Meguid, 2008). The issue ownership approach challenges other approaches to voting behaviour, such as the social cleavages and voter alignment- approach (Belanger & Nadeau, 2015:909). In a context of increased dealignment, people are more likely to trust and to vote for parties they believe have competence on an issue salient to them, rather than trusting parties they would traditionally align with (Betz & Meret, 2013:109-111; Oskarson & Demker, 2013:175; Oesch, 2008; Kayser & Wlezien, 2010:372; Van der Brug et al., 2007:14).

Stokes (1963) uses the notion "valence issues", explaining a situation in which all parties agree on a desired policy outcome, but disagree on what measures should be taken to reach a given goal. Social democrats and conservatives all agree in wanting a “healthy economy”, but whereas social democrats believe that keeping a low unemployment rate is more effective, conservatives tend to focus less on social programmes, and are more concerned with stimulating economic growth than are social democrats (Jensen & Mortensen 2014). As such, a recession makes for an interesting backdrop for studying trust and government ideology, as the economy is both a valent issue among parties, and a salient issue among people (Belanger & Meguid, 2008).

A recent contribution in the literature on issue ownership finds that a given party's issue ownership is not always linked to the actual policy performance on that same issue (Egan, 2013:93; Martinsson, 2009:139). From a methodological perspective, disentangling the causal

direction between trust, issue ownership and actual performance, is challenging: parties may earn popularity and trust either by prioritising shaping a reputation on competence, or by being successful in their actual policy performance (Belanger & Nadeau, 2015:911). Bermeo & Bartels claim that “the Great Recession starting in 2008 produced surprisingly little overall change in the ideological proclivities of voters- and retrospective voting was a stronger and more consistent factor than ideology in accounting for observed shifts in electoral behavior. Parties of the left certainly “failed to capitalize” on the crisis in most countries, but voters do not seem to have been “generally turning to conservative and right-wing political parties,” either- except in times and places where a left-wing party presided over a significant economic downturn.” (2014:200). This finding has implications for the manner in which voters shape expectations towards their political leaders. When facing growing unemployment rates, people might turn to the political left. Conversely, when facing stagnating economic growth, people might turn parties of the political right. In countries that experienced a combination of growing unemployment and lowered economic growth, it is unclear whether left-of-centre or right-of-centre parties were most successful in maintaining popularity and legitimacy (Bermeo & Bartels, 2014:200).

## **1.7 Parties and retrenchment**

The economic crisis has shifted focus from being a financial crisis to becoming a fiscal one, having government debt as its recurrent theme (Clarke & Newman, 2012:2). Governments imposing unpopular austerity measures may be affecting the political culture in a negative manner, and as a consequence, trust in political institutions is put to the test. Governments' policy responses to a worsening economy varied considerably across countries (Starke, Kaasch & Van Hooren, 2014:225). Van Hooren et al. (2014) found that drastic policy change was more of an exception than the rule (Van Hooren et al., 2014:605). Most national governments did not have to impose serious austerity, but the scope for policy maneuvering did become tighter due to a growing recession and lower budgets (Jensen 2010). Van Hooren et al., examined social policy responses to four economic shocks in Austria, Belgium, the Netherlands and Sweden, and found that incremental change was far more common than radical policy shifts (2014). At the same time, social spending is often cited as a prime example of path dependence (Green-Pedersen and Lindblom, 2006; Hacker, 2004; Pierson, 1994). Measuring retrenchment merely as cuts in social spending, government's fiscal response is likely to exhibit a pattern of incremental change, while this path dependence is not as strongly associated with governments fiscal policies during recessions (Green-Pedersen and Lindblom, 2006; Hacker, 2004; Pierson, 1994).

Some political parties retrench more than others, suggesting that parties have different incentives to cut social spending (Giger & Nelson, 2011:13). Electoral consequences of retrenchment differs according to party family (Giger & Nelson, 2011:13). Some parties, rather than avoiding blame, are able to claim credit for cutting social policy spending (Giger & Nelson, 2011:13). Giger and Nelson (2011) actually questions the assumption that retrenchment always leads to loss of popularity among voters (Giger & Nelson, 2011:19). Specifically, liberal and religious parties were found to systematically win votes from slowing down social spending (Giger & Nelson, 2011:19).

## **Chapter two. Theoretical framework and hypotheses**

### **2.1 Trust and institutional support**

David Easton (1979) suggests two related concepts, namely affective and utilitarian support, in explaining the way in which individuals establish and maintain trust in political institutions. Affective support provides a basic “reservoir of favorable attitudes that enables members to accept policy-outputs to which they are opposed, or policies that have effects they perceive as damaging to their wants”(Easton, 1975:444). Policy responses to economic hardship, such as cuts in social spending, may constitute a prime example of such an unfavorable policy. The Utilitarian, or specific support has a conditioning effect on the ‘reservoir of support’ for a given institution, and is thus closely related to the concept of affective support (Easton, 1975:444). Utilitarian support is inherently unstable, while affective support, representing cultural attachment and loyalty, is a source of stability in public support during times of uncertainty (Easton, 1975:444). Affective support therefore provides the necessary ‘political capital’ to the incumbency to shield them from the fallout of unpopular policies (Easton, 1975:444). Affective support is less volatile than utilitarian support, as it is “more difficult to strengthen, once it is weak, and to weaken, once it is strong” (Easton, 1975:444).

### **2.2 Conceptualising political trust**

This section explores the concept of political trust. The concept of trust falls into the category of contested concepts (Gallie, 1955). Zmerli & Hooghe (2001), provides a general definition: "At best, political trust is a very thin form of trust and it should rather be seen as the expectation that political actors generally behave in a fair manner." (Zmerli & Hooghe, 2001:3). The theoretical status of political trust remains dubious, and some authors argue that it does not make sense to talk about trust at all when analysing peoples' attitudes towards their political systems (Zmerli & Hooghe, 2001:3).

Zmerli & Hooghe further provide a more specific definition, stating that “political trust means that the legitimacy of the political regime is acknowledged and that there is a high degree of willingness to accept the decisions of politicians and government agencies” (Zmerli & Hooghe, 2001:3). Political trust thus presupposes a level of specific knowledge about the likelihood of trustworthy behavior by someone else (Zmerli & Hooghe, 2001:3). This definition of trust, meaning “a general recognition of authority and that democratic

procedures will be followed” (Zmerli & Hooghe, 2001:3), is closely related to the concept of political legitimacy, and resembles Easton’s definition of affective support, (Easton, 1975; Zmerli & Hooghe, 2001:3).

### **2.3 The function of political trust**

“Since the inner workings of government are opaque to most and since developing constrained belief systems is too taxing for many, political trust provides people a useful decision rule” (Converse, 1964). Political trust as a theoretical concept entails that citizens feel a sense of trust in the incumbent government, political institutions in general, or the political community as a whole (Easton, 1965b; Dalton 2004). When paying costs rather than receiving benefits, people must trust the government (Hetherington & Rudolph, 2015:121). This delegation of trust implies that people believe that the government’s policies will benefit society, and not misuse its mandate or waste resources (Hetherington & Husser, 2011:313). Trust in political institutions arranges for allocation of resources, meaning that both politicians and citizens depend on a certain level of trust. Citizens trusting their authorities may allow those authorities to take on new tasks, and trusting them in expanding or even reducing their scope of action (Hetherington & Husser, 2012:313). Citizens that trust political institutions believe that political leaders and institutions do have their best interest in mind, as a form of delegated responsibility, or encapsulated interest. Some authors argue that low levels of trust may prevent government of assuming a larger role in society, such as expansion of social protection and welfare services (Zmerli & Hooghe, 2011:2).

### **2.4 Economic voting and trust**

Some scholars have defined political trust as “the ratio of people’s evaluation of government performance relative to their normative expectations of how government ought to perform” (Hetherington & Husser, 2012:313). This conceptual definition squares well with findings that suggest changes in trust are most often a function of changes in perceived performance on salient issues like the economy (Citrin and Green, 1986; Hetherington, 1998; Weatherford, 1984), although some longer-term factors, namely social trust, have contributed to fluctuations in political trust as well (Keele, 2007). From a rational point of view, citizens are likely to display and express higher levels of political trust in institutions that deliver on dealing with salient policy-issues, compared to regimes that do not succeed in reaching their stated policy goals (Zmerli & Hooghe, 2001:3). Easton’s terminology of trust can contribute in explaining how performance of political institutions is likely to evoke either affective (diffuse) or utilitarian (specific) support. Easton hypothesises that people may uphold a strong

level of trust in political institutions in spite of experiencing hardship, given that they have developed a sufficient level of affective support: "Even if citizens do not agree with a certain decision made by the political elite, they are still willing to support the regime in general and to comply with its decisions" (Zmerli & Hooghe, 2001:3). Drawing on Easton's typology, an external shock will not automatically result in lowering levels of trust, given that peoples' affective support is sufficiently established. Lacking specific support from time to time does to some extent motivate citizens to participate through elections in democratic regimes, while a lack of diffuse support, may end the willingness to take part in politics altogether. According to Easton (1965b), we can expect that utilitarian support fluctuates to a larger degree than does diffuse support.

Citizens' trust in a political system can relate to different objects, and citizens may use different criteria when evaluating different political institutions (the parliament, the police, the legal system, politicians). Measuring trust in institutions is challenging, and one can not simply add these judgments to form a scale of total political trust (Fisher et al., 2010; Zmerli & Hooghe, 2011:16). Citizens having varying levels of trust in the politicians in office are often seen as a symptom of a healthy democracy. According to Marien (2011), citizens are likely to develop one comprehensive attitude of trust in political institutions, which is shaped by the political culture of their country. Replacing the politicians in office through elections, enables citizens to win back a sense of specific support, having distrusted the former government. However, the culture within political institutions often originates from a similar political environment (Almond & Verba, 1963). This means that we ought to expect that citizens' evaluations of different institutions are related to one another (Hooghe, 2011). If citizens are distrusting their political environment as a whole, this has serious implications for affective support, and it cannot be solved through simply replacing the incumbent government, as the national government constitutes only one out of several closely related political institutions within a country.

## **2.5 Studying trust empirically**

Having explored some of the aspects of political trust, we now turn to the dependent variable in the empirical analysis: Trust in national government. Drawing on Easton's typology of diffuse and specific support (1965a), the Eurobarometer surveys ask respondents to report whether they "Tend to trust" or "Tend not to trust" their national governments. As Zmerli & Hooghe notes, the advantage of studying trust in a specific institution is that it is clearer what

is being measured (2011:15). The drawback is that only one part of the broader concept of political trust is being measured (Zmerli & Hooghe, 2011:15). The trust-variable is measured biannually, and seems to correspond well with the concept of specific support, as incumbents are replaced on a regular basis through fair elections in the eight established democracies in the analysis.

## **2.6 Contextualising the hypotheses: government ideology**

This section offers a brief presentation of the party-families in the analysis, namely social democrats, conservatives and Liberals. Although the classification of party families is contested, the focus on the long-term development of parties generally justifies considering the common historical origins and cleavages of conflict as the defining criterion of membership of a family (Mair & Mudde, 1998: 225). Building on the state-market placement of all five parties in the analysis, this section sets forth some hypotheses specifying the relationship between the ideologies of the national governments in the analysis, and trust during economic hardship.

Political ideologies are contestable as they are flexible and assembled in loose families (Freeden 2013:29.30). Political parties combine concepts such as liberty, justice, power and equality, but order and juxtaposes the concepts differently (Freeden 2013:19). Following von Beyme (1985:23-24) we include four party families in the analysis: liberals, conservatives, workers parties and Christian parties. Since conservatives and Christian parties makes up a significant amount of Europe's national governments, conservatives and Christian parties are added together in the analysis, labelled as centre-right- parties. This operationalisation of conservatives follows von Beyme and Steed & Hearl, who identify Christian and conservatives as “conservatives” (von Beyme, 1985:26-59; Steed & Hearl, 1985), while others use the term “secular conservative”, for distinguishing religious from secular conservatives (Gallagher et al., 1995).

Social spending makes up a significant amount in the overall public expenditures, and this might represent a burden to national governments (Starke, Kaasch & Van Hooren, 2014:226). Parties that run a market-oriented fiscal policy are expected to cut in social spending to a larger extent than more state-oriented parties (Jensen & Mortensen, 2014:2). Left-of-centre parties have in some cases been found to retrench more than right-of-centre parties (Green-Pedersen, 2001). Other studies have found that governments with parties belonging to the neo-liberal right, have tended to result in greater retrenchment (Allan & Scruggs, 2004:509).

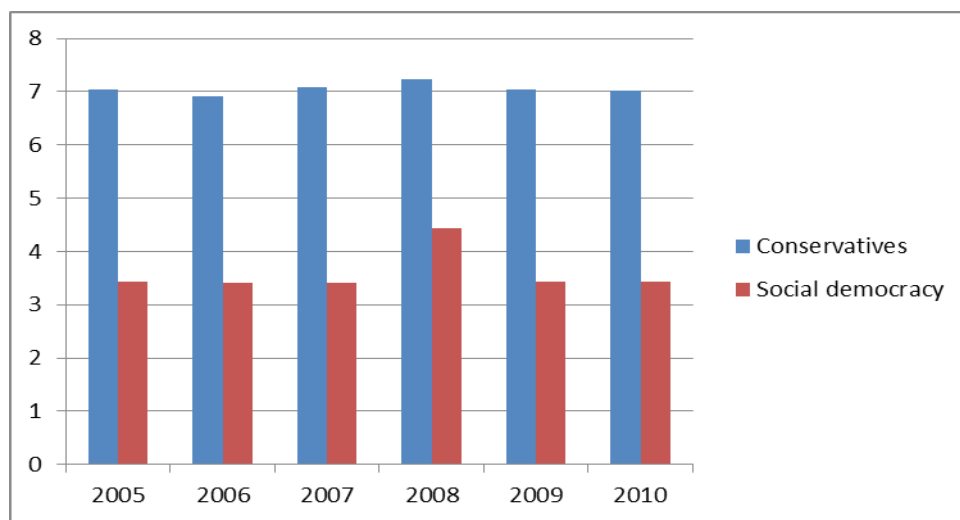
Jensen (2010), argues that right-of-centre governments, actually spend more on welfare programs, compared to left-of-centre governments, in order to compensate for the lack of trust people in countries with a history of social democracy have in conservative or liberal parties (Jensen, 2010:289). Left-of-centre parties are expected to be more in favor of an expanding welfare state than parties with a market-oriented economic policy (Starke, Kaasch & Van Hooren, 2014:229). A situation demanding fiscal austerity represents a shock to equilibrium (Easton 1975). This may lead parties to shift their preferences towards a more austerity (Jensen & Mortensen, 2014:144). At the same time, parties located on the right on the economic state-market-axis, may have greater issue ownership in fiscal policies, compared to left-of-centre governments. Social Democratic governments are particularly interesting in this vein, as they increasingly have gained issue ownership in fiscal policies, and at the same time, tend to maintain their level of social spending when facing a recession (Jensen & Mortensen, 2014). Social democratic governments, like most governments, want to ensure a growing economy, but may at the same time be more concerned with maintaining the same level of spending related to social protection (Starke, Kaasch & Van Hooren, 2014:229; Jensen & Mortensen, 2010:2). This leaves it somewhat unclear what parties will gain or lose trust as a consequence of facing economic hardship. An economic policy that involves maintaining the same level of social spending during hardship may increase trust, but one might hypothesise the same regarding issue ownership in fiscal policies.

## **2.7 The Social Democrats**

Social Democratic parties used to be the class parties par excellence. Their origins can be traced back to the labor/capital conflict of the Industrial Revolution (Knutsen, 2006:54). Social Democratic parties can be found in all the countries of Western Europe (Lipset & Rokkan, 1967). Knutsen claims that “the parties that can be expected to be most strongly anchored in social classes are the parties based on the cleavages that sprang out of the Industrial Revolution”, along with Communist, Social Democratic, and Liberal parties (2006:54). Von Beyme notes that the social democratic parties have changed their strategy and expanded their target group, now being catch-all parties rather than appealing solely to workers (Von Beyme, 1985: 75). According to issue ownership theory, conservatives are facing a growing competition on the competence on fiscal issues from social democrats (Jensen & Mortensen, 2010). Over the past 30 years, social democratic parties have increasingly abandoned the interests of their own core constituency to embark on a right-wing journey of fiscal austerity (Kraft, 2015:1). This change in parties' fiscal policy can partly be



explained by social democrats trying to signal competence in fiscal matters (Kraft, 2015:1). Conservative parties are perceived as better able to restrain government spending, compared to the perception of social democratic parties (Bélanger & Meguid, 2008; Petrocik, 1996; Seeberg, 2014). This asymmetric fiscal reputation makes left-wing governments electorally vulnerable to concerns about public overspending and lack of fiscal discipline (Kraft, 2015:1). Social democratic governments will therefore attempt to improve their reputation when attention to budget austerity increases (Kraft, 2015:1). They should do so by reducing spending and budget as extensively as conservative governments (Kraft, 2015:1). This fiscal compensation strategy may make conservative and social democratic fiscal policy more similar during difficult times (Kraft, 2015:1; Starke, Kaasch & Van Hooren, 2014:230).



**Figure 2.1.** State-market orientation of conservative and social democratic governments in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden from 2005 to 2010. The vertical axis represents state-market orientation of parties, with a value equal to zero indicating a total state-orientation, while a value of 10 indicates a total market-orientation in economic policies. Source: ParlGov.

A value equal to zero indicates a total state-orientation in economic policies while a value of 10 indicates a total market-orientation in economic policies. Figure 2.1 Illustrates that Social democratic parties in government drastically changed their economic policies in 2008, becoming more market-oriented. However, already in 2009, their economic policies went back to normal. Conservatives did also change their policies in the same direction during 2008, but the change was less profound. Given that social democrats are assumed to have an increasing issue ownership in fiscal policies, social democratic governments are expected to increasingly enjoy legitimacy during GDP recessions, vis-a-vis conservatives.

*Hypotheses 2.7: Social democrats are believed to be moderate social spending during economic hardship, combined with an increased tendency towards issue ownership in fiscal*

*policies. We hypothesise that Social Democratic governments will not be able to uphold their level of trust during GDP recession to the same extent as conservatives. However, when assessing the effect of unemployment separately, we expect Social democrats to have a higher level of trust compared to Conservatives.*

## **2.8 Centre-right parties – Conservative and Christian democratic parties**

Conservative parties were among the first to develop, usually as a defensive response to Liberal parties. We may describe these parties as right-authoritarian in general, which is also what Kitschel(1994/1995) suggests. Building on insights from issue ownership theory, the starting point is that the majority of voters perceive right-leaning parties as better able to control government spending and balance budgets than left-wing parties (Bélanger & Meguid, 2008; Petrocik, 1996; Seeberg, 2014). In turn, this can imply that when facing difficult times, people may turn to conservative parties, especially when a GDP recession occurs separate from times of growing unemployment. Conservative governments may be less likely of causing disappointment when cutting social spending during hardship, because conservatives generally spend less on social welfare, compared to left-of-centre parties (Jensen, 2010).

*Hypotheses 2.8: Centre-right parties enjoys the most established issue ownership in fiscal policies, but are expected to cut in social spending. Centre-right parties are expected to increase their level of trust vis-a vis Social Democrats, when assessing the effect of declining economic growth separately.*

## **2.9 The Liberals**

Liberalism concerns protection of private property, human and civil rights, pluralism and regionalism, education policy and social liberalism (von Beyme, 1985: 36-39). We position the Liberal party family as a right-libertarian party family – right-leaning on the economic axis, libertarian on the cultural axis. Knutsen (2006:54) identifies the Liberal party family as the strongest defender of the capitalists in the conflict between labor and capital. In a study of the relationship between retrenchment and electoral consequences, Giger & Nelson (2011), found liberal parties to actually gain votes from retrenching social spending (Giger & Nelson, 2011:1).

*Hypotheses 2.9: Liberal parties do not have issue ownership in fiscal policy or in unemployment, but are expected to gain popularity during economic hardship. (Giger & Nelson, 2011).*

## **Chapter three. Data and methods**

This chapter presents the data and variables, data acquisition and data manipulation, operationalisations of variables, followed by a discussion of matching and the estimating technique, difference in differences-estimation.

### **3.1 The dependent variable – trust in national governments**

Similarly to votes and polls, surveys assessing people's perceptions of their national governments, may give an indication of the level of legitimacy of the parties currently in government (Nannestad & Paldam 1994:223). The thesis uses time series cross sectional data (TSCS), which consist of comparable time series data (Beck 2008; Beck & Katz, 2011:332). The Eurobarometer surveys allow us to study general political trust instead of votes. In addition, we can assess the popularity of governments biannually, as opposed to studying mere votes at elections. The units of the analysis are Eurobarometer respondents, national governments, and macroeconomic variables. Using political trust as our dependent variable, the Eurobarometer surveys allow us to assess the legitimacy of all parties in government across several EU-member states during varying states of the economy. Additionally we include a variable reporting the level of life satisfaction during economic hardship. All standard EB-surveys from spring 2005 to autumn 2010 are included in the data set. The respondents were asked to tell whether they tend to trust, or tend not to trust a range of institutions. The alternatives regarding trust in institutions are "Tend to trust", "Tend not to trust", and "Don't know". The survey question trust in national governments is phrased as follows: "I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it" (the national government). Following Gärtner (1997:448), we obtain a net measure of trust by subtracting the number of respondents who report that they "tend to trust" their governments, from those who report that they "tend not to trust" their governments. The respondents belonging to the "Don't know" category were excluded from the data.

### **3.2 Sampling procedure**

This study conducts a time-series analysis, where the data of interest includes repeated observations over time (Beck, 2001). The political units in the analysis are individual respondents from the Eurobarometer Survey. The regular sample size is 1000 respondents per country, measured as completed interviews. The years for the Eurobarometer included in the analysis span from 2005-2010. The Eurobarometer datasets were downloaded from

gesis.org. A multistage, random probability sampling design is used in the data collection of all the Eurobarometers. For each standard Eurobarometer survey, new and independent samples are drawn. At the first stage of the sampling procedure, primary sampling units are selected from each of the administrative regional units in every country (The European Commission Eurobarometer 70.1:VII ). The selection of observations is systematic, with a probability proportional to the population size, and from sampling frames stratified by the degree of urbanisation (The European Commission Eurobarometer 70.1:VII). In the next stage of the data collection, a cluster of starting addresses were randomly selected from each sampled PSU (The European Commission Eurobarometer 70.1:VII). Further addresses were chosen systematically using standard random route procedures as every Nth address from the initial address (The European Commission Eurobarometer 70.1:VII ). Only one interview was conducted in each household, and the respondent was drawn randomly, according to the closest birthday rule (The European Commission Eurobarometer 70.1:VII ).

### **3.3 Missing observations**

The dependent variable, trust in national governments, has a total of 359961 values in the data. The aggregated Eurobarometer-dataset covering the years 2005-2010 had a missing percentage of 6,5%, or 23329 values. All respondents reporting “Don't know”, when asked whether they trusted their national governments, were excluded from the data. These observations were excluded mainly because preprocessing of the data by matching, requires a binary dependent variable. The percentage belonging to the “Don't know” category was 0.0047%, which amounts to 1693 values. Excluding all the respondents belonging to the “Don't know” category, as well as excluding missing values leaves us with a total of 334939 observations of the dependent variable.

### **3.4 The co-variates**

This section presents the explanatory variables that are matched with the dependent variable, via preprocessing prior to the empirical analysis. Similarly to the use of control variables in regression, the aim of matching is to produce a distribution of observations on the dependent variable that is not systematically affected by the values of the co-variates (Angrist & Pischke 2008:69). The variables covered in the next subsection, government ideology, economic growth, unemployment and life satisfaction, are considered likely of affecting levels of trust in national governments.

### **3.5 Government ideology**

Data on government type and government ideology derive from the Parliament and Government Composition database. These are party-families, start and end-date of all the governments in the analysis, as well as their ideological positions along the left-right and state-market- continuum. The end-date of governments was missing in the ParlGov-version used in the analysis, so the end-date was coded and added to the data. Government ideology indicates the ideological composition of a given government, concerning the mere name of the party, as well as the type of policies pursued, measured along the left-right and state-market axis derived from the ParlGov dataset. The ParlGov dataset includes two variables that indicate party-family identity. The first variable states the name of all parties in the native language of each country. The second variable states the names of different parties according to the main party-families of Western-Europe. In order to be able to generalise about the effect of ideology on trust in government across countries, the latter variable is utilised in the analysis.

#### **3.5.1 The spatial model of ideology**

Pioneered by the seminal work of Hibbs (1977), traditional partisan literature holds that parties conduct policy in accordance with the interests of their core constituency. Historically, social democratic parties organised to fight for the rights of workers and other low-income groups, while conservative parties were established to secure the economic interests of business owners and high-income groups. This led the two groups of parties to develop different ideologies concerning social and economic policies. The ‘politics matters’-view in the comparative political economy research dates back to the 1970’s (Hewitt 1977; Hibbs, 1977; Tufte, 1978) and has gradually evolved into an extensive literature. As summed up by Hibbs, the partisan argument “features the idea that parties have electoral ambitions in order to implement policies favoring their core constituency” (1977:1467). In other words, parties are policy seeking. The expectation of partisan differences stems from the idea of a long-term trade-off between unemployment and inflation providing a ‘stable menu of policy choices’ for governments (Belager & Meguid, 2008:477). The Left runs expansionary budgets to reduce the unemployment risks of labor, while the Right engages in fiscal discipline to accommodate the inflationary concerns of capital owners (Hibbs, 1977:1474). Others argue that left-wing governments are associated with higher budget deficits because of their constituency’s general interest in higher levels of public provision of goods (Blais et al, 1993; Cowart 1978; Iversen and Wren, 1998).

A concern when studying the relationship between government ideology and trust, is whether merely measuring political parties by their names truly captures the relevant aspects of the concept. Party names may indicate how a given party is oriented ideologically, but merely measuring ideology by party- names, leaves out a great deal of information regarding parties' policy-positions on a range of issues, that may affect peoples' views. Measurement-validity is of great importance in data quality, because only data of sufficient quality enables researchers to make inferences and test their hypotheses (Herrera & Kapur, 2007:367). From a philosophical point of view, we can never be sure that we are actually measuring what we intend to measure (Goertz 2005, Herrera & Kapur, 2007, Munck & Verkuilen, 2002). By including more specific measures on government ideology might bring us closer to capturing the range of policy- aspects that are relevant to peoples' perceptions of how their political leadership response to economic hardship, that shape peoples' evaluations. Party competition and political discourse often organises itself along an ideological left-right- dimension (Huber & Ingelhart, 1995:73). The terms “left” and “right” are used to communicate the juxtaposition of a set of salient issues according to ideology. The left-and right dimension is central in this respect, as parties and people use it as a perceptual frame, and a channel of a two-way communication for organising their political views. By including the more specific left/right and state-market-variables, we might get closer to measuring ideology than by simply including the names of parties. The two variables derive from the ParlGov data set, and measure the positions of all parties along a spatial economic (Benoit & Laver 2006, Bakker et al., 2012) and value-orientated scale (Castle & Mair 1984, Huber & Inglehart 1995, Benoit & Laver 2006). By including three variables capturing different aspects of the term “ideology”, we may enhance the measurement validity of our results and inferences.

### **3.5.2 Economic orientation- the state-market axis**

According to Downs (1957), party competition concerning the disagreement of the scope of government intervention in economic issues, takes place along a left-right dimension (Downs 1957, Huber & Ingelhart, 1995:75). The 0-10 state-market variable measures parties' orientations on economic policies, (Benoit & Laver 2006, CHESS 2010). We seek to explore how governments, having a varying set of economic policies, affect trust during economic hardship. According to the state-market-scale, the Social Democratic parties in the data are operationalised as left-of-centre parties, conservatives and liberals are operationalised as right-of-centre- parties.

### **3.6 Macroeconomic variables**

The empirical analysis explores whether levels of political trust during economic hardship indicates that centre-right and social democrats are now offering equally promising policy solutions to recovery, or whether trust in national governments during times of crisis still should be explained in terms of traditional issue ownership theory. The variables measuring macro-economic conditions derive from the International Monetary Fund and the OECD Social expenditure reference series. Personal evaluations of recent national economic conditions matter most for economic voting (Belanger & Nadeau, 2015:915).

The analysis uses the “big two” macroeconomic indicators as suggested by the vote & popularity- literature: the unemployment rate and percentage GDP growth (Nannestad & Paldam 1994:216, Lewis-Beck & Stegmaier 2013:376). Economic growth, measured as percentage growth in GDP has been considered a “prime driver” in studies of the relationship between economic conditions and government popularity (Lewis-Beck & Stegmaier 2013:376, Dassonneville & Lewis-Beck 2010, Wilkin et al., 1997; Hobolt & Tilley, 2014:3). Some scholars claim that the connection between economic growth is linear, with an increase or loss in government popularity according to the state of the economy (Lewis-Beck & Stegmaier 2013:376). Benton studied Latin American countries and found that a 1.0 percentage decline in GDP growth will give a popularity loss in the incumbent party vote of 1.7 % (2005: 430). Wilkin et al. found a similar effect, proposing that every percentage growth point of GDP gives an increase of 1.4 % in popularity (1997:307). Research on unemployment have found a negative relationship between growing levels of unemployment and confidence in governments (Heise, 2012; Nannestad & Paldam, 1994:215; Roth, Nowak-Lehmann & Otter, 2011:3; Armingeon & Ceka, 2013:9).

### **3.7 Life satisfaction**

Variables such as openness, business climate, post-communism, the number of chambers in parliament, Christian majority and infant mortality rate, have all been found to influence peoples' level of life satisfaction across countries (Bjørnskov et al. 2005:119, Hayo 2004). Unemployment is negatively associated with peoples' level of life satisfaction (Helliwell 2003, Bjørnskov 2003, Hayo 2004), while national income is associated with overall life satisfaction (Schyns 1998, Frey & Stutzer 2002). Some studies have found economic growth, inflation, economic freedom, structure and scope of government, as well as welfare state characteristics to be significant determinants of life satisfaction and happiness (Veenhoven 2000a, Bjørnskov et al. 2007, Bjørnskov et al. 2005:121), while other studies have reported the same factors to be insignificant (Layard 2006). It is likely that an economic recession

affects the level of life satisfaction, such as a GDP recession or rising unemployment rates. However, the level of life satisfaction is not expected to change according to government ideology, only according to economic hardship. The Eurobarometer variable that measures peoples level of general life satisfaction, contains four options: “Very satisfied”, “Fairly satisfied” , “Not very satisfied” , “Not at all satisfied” and “Don’t know”. In order to be able to interpret the results on trust and life satisfaction in the same manner, the measuring scale of the life satisfaction-variable was reversed. Respondents reporting “Very satisfied” were coded 4, “Fairly satisfied” were coded 3, “Not very satisfied” were coded 2 and “not at all satisfied” were coded 1. The “don’t know” respondents were excluded.

*Hypotheses 3.7: Life satisfaction is expected to decrease when facing high unemployment rates and when encountering a GDP recession. Life satisfaction is expected to increase for liberal parties during GDP recession (Giger & Nelson 2011).*

### **3.8 Data manipulation**

In all the Eurobarometer surveys, a specific date-variable covering the start and end-date of fieldwork for data collection as well as a variable indicating the year of all the EB-surveys, were missing. I have computed a variable indicating the year of the Eurobarometer survey, as well as a variable indicating the start and end-dates of the fieldwork, using information from the code books. The fieldwork-variable, with 360 different dates indicating the start-date and end-date for interviews for the spring and autumn waves by country, was coded manually using information from the code books of each individual Eurobarometer survey. The observations from Eurobarometer were merged with observations from the Parliament and Government Composition database. Only observations that matched between the fieldwork -periods for the Eurobarometers and the incumbency for parties in the ParlGov data set, were included in the analysis. This means that only governments that were in office during the time of Eurobarometer-fieldwork were included in the dataset. The Eurobarometer fieldwork lasted 30 days on average, but varied between countries. Governments that left office, or that were replaced during the Eurobarometer-interviews, were excluded.

### **3.9 Challenges in observational research**

“We know that our estimates depend on their corresponding modeling assumptions and that different specifications can yield very different causal inferences”

(Daniel E. Ho et al. 2007:200). In all quantitative research that is not experimental, our inferences do, to some extend depend on our choice of statistical models. Two ways in which



this issue can be made less problematic, is by assessing the method of data-collection, as well as the choice of statistical models from which we make inferences. We define observational data collection mechanisms as *“any process generating data that does not meet all three features of a classical randomized experiment”* (Daniel E. Ho et al. 2007:206). The ideal for data collection when making scientific inferences is a classical randomised experiment. This ideal has contains three crucial criteria: random selection of respondents from a given population, random assignment of values of the treatment to each observed unit, and a sufficiently large sample size. Most social science laboratory experiments have random assignment, but miss the random selection-criteria, and often do not meet the criteria of a sufficiently large number of observations, leading to potential validity issues (Ho, Imai, King & Stuart, 2007:206).

### **3.10 Matching**

In order to reduce model dependence, we preprocess our data using matching. Randomised experiments are very rarely conducted in political science, but they still remain important as an ideal type for other research designs (Ho, Imai, King & Stuart, 2007:205). In non-experimental research designs, variables that affect the outcome of the dependent variable, may be systematically distributed across treatment groups, and so confound the treatment effect (Cochran & Rubin, 1973). Matching can be used when the research design is quasi-experimental; meaning that random sampling and / or random assignment of the outcome of the dependent variable is lacking. The aim of matching for preprocessing data, is to reduce model dependence, and biased inferences (Daniel E. Ho et al. 2007:200). With preprocessed data, the treatment variable is closer to being independent of the background co-variables. Instead of making the no-omitted variable bias-assumption, and conditioning on the definition of one key causal variable (y), and a set of control variables (x), matching of data adjusts for as much of the information in these control variables as possible without making parametric assumptions. After having matched the data, the potential for bias is somewhat reduced, compared to analysing raw data (Angrist & Pischke 2008:69). However, as with regression, selection-bias can still exist, due to unobservable variables, as matching and regression are both strategies attempting to control for bias (Angrist & Pischke 2008:69).

The preprocessing procedures that matching offers, alter the data to make it more similar to the set up of treatment groups and control groups in a natural experiment (Daniel E. Ho et al., 2007:205). Genetic matching automates the process of finding a good matching solution

(Diamond and Sekhon, 2013). Genetic matching automatically finds the set of matches that minimise the discrepancy between the distribution of potential con-founders in the treated and control groups (Sekhon, 2011:1). A concern when working with matched data, is making sure that our statistical results are not actually a product of the matching-algorithm itself. Complete results from the other matching-methods work as robustness-test (see appendix D-I). Overall, the robustness-tests imply that the results from the analysis will not depend on the matching technique of choice for preprocessing the data (See appendix C and appendix D-I). Having matched the data via genetic matching (see appendix D for complete matching-table), our goal is to be able to compare Eurobarometer respondents across different countries, where the likelihood of trusting government is only affected by the presence or absence of economic hardship, as well as the ideology of national governments. Having matched the data (see appendix C), all the alternative matching-techniques (standard-matching, matching by the nearest -neighbor, optimal matching and subclass matching Ho, Imai, King & Stuart, 2007:206), shows a change of balance identical to the results of genetic matching, except for the subclass matching.

### **3.11 Difference in differences estimation**

The differences in means, or difference in differences (DID) estimator is one of the most popular tools for applied research in economics to evaluate the effects of public interventions and other treatments of interest on some relevant outcome variables (Abadie, 2005:1). The conventional DID estimator requires that, in the absence of the treatment, the average outcomes for the treated and control groups would have followed parallel paths over time (Abadie, 2005:1). The difference in differences calculation has the potential to show whether difficult times affect the probability of trusting national governments, depending on ideology. In a non-experiment, where the selection of units is not random, direct comparison of the results may be misleading. This is because the units exposed to the treatment may differ in a systematical manner from the units not exposed to the treatment (Rosenbaum & Rubin, 1983:42). Matching the dataset can yield a better co-variate balance, meaning the treatment and control group have an equal distribution of the observed co-variates (Rosenbaum & Rubin, 1983:41), and can be compared by using a difference in differences-estimation. The difference in differences compares trust in national governments with either a Social democratic or conservative government, both in the absence and the presence of economic hardship.

To be able to identify how growing unemployment and stagnating economic growth affects

trust in national governments, the analysis applies an approach of difference in difference, or difference in means, the method requires data available both before and after the treatment. The treatment in this study is economic hardship. The difference in differences-estimation requires time series data, capturing observations covering time before and during a treatment (Angrist & Pischke 2009:227). When comparing the difference in differences, or difference in means, the level of life satisfaction and trust in centre-right governments is compared to the level of life satisfaction and trust in social democratic governments, both in the presence and in the absence of economic hardship. This is measured as governments mean trust and life satisfaction across all eight countries in the sample from 2005-2010. The second and most interesting difference, is the change in difference between the ideologies as the Eurobarometer-respondents experience economic hardship (a-c) - (b-d). When interpreting the results, the size of change in trust between having a centre-right and social democratic government when receiving the treatment is of interest, as this can tell us how economic hardship impacts life satisfaction and trust, depending on type of government.

	Before treatment	After treatment	Change from before to after treatment
Treatment group	$\bar{y} T1$	$\bar{y} T2$	$\bar{y} T1 - \bar{y} T2$
Control group	$\bar{y} C1$	$\bar{y} C2$	$\bar{y} C1 - \bar{y} C2$

$$\text{Difference in differences} = (\bar{y}T1 - \bar{y}T2) - (\bar{y}C1 - \bar{y}C2)$$

The average treatment effect uses four data points to deduce the impact of experiencing economic hardship on the probability of reporting to tend to trust government, depending on government ideology. This is the effect of the treatment on the treated. The four data points are the observed average value of trust in government. We expect that the treatment will have an effect on the treatment group that breaks the parallel trend between control and treatment groups (Angrist & Pischke 2009:228). The matched data set was split into four parts. The control group consists of respondents not experiencing economic hardship, and when there was a Social democratic government, and one who tended to trust a centre-right government under the same conditions. The two treatment groups were split according to whether they tended to trust social democrats or conservatives in two time periods: in the absence and in the presence of economic hardship, respectively.

Dependent variable	Government ideology	Treatment (Economic hardship)
a. Control group	Centre-right	No
b. Control group	Social democracy	No
c. Treatment group	Centre right	Yes
d. Treatment group	Social democracy	Yes

*Difference in differences*=(Social democrat's change in trust)-(Conservatives change in trust)  
(a-c)- (b-d)

### 3.12 Operationalisation of economic hardship and recession

Some scholars claim that across the EU, welfare and public services have been a main target for austerity packages (Clarke & Newman, 2012:7; Armingeon & Ceka, 2013; Farnsworth and Irving 2012). However, the claim that recession lead to austerity and retrenchment, is contested: Starke, Kaasch & Van Hooren (2014) claims that there was no uniform fiscal response to the recession starting in many European countries around 2008 (Starke, Kaasch & Van Hooren, 2014:225). The analysis aims at explaining how trust varies according to the state of the national economy, as well as the ideological composition of government. The levels of economic growth and unemployment generally does not co-variate systematically (Kriesi 2014:307). Kriesi provides an overview of economic indicators of the European recession starting in 2007(2014:307). According to the index, Ireland, Iceland and Spain were the three countries most severely hit by the crisis. Having operationalised economic recession in terms of unemployment rates and GDP growth, the same two countries (Ireland and Spain), are the countries most severely hit by the crisis in our data. Kriesi correlates GDP growth with the unemployment rate in twenty-nine European countries from 2008 to 2011 and concludes that they are weakly correlated (Pearson's  $r=-0.8$ ), (Kriesi 2014:306). Doing the same with our data from eight European countries, I find a weak to moderate correlation between GDP growth and unemployment rates (Pearson's  $r=-0.28$ ). This implies that in our sample of countries, the level of unemployment co-varies with economic growth in some cases.

As the selection criteria for observations to be included in the data were somewhat strict, we could not compare all respondents living under the full range of governments from 2005-2010. As the fieldwork periods for the Eurobarometer surveys lasted about three weeks in each EU-member states, this sets limits to the number of governments that are included in the

analysis. Only governments who were in office during the time of the Eurobarometer fieldwork are included. Subsequently, which Eurobarometer-respondents that are included in the analysis, depends on the threshold level the analysis set for the unemployment and GDP growth rates.

The eight EU-member states included in the analysis were hit very differently by the recession (Jónsson & Stefánsson, 2013:14). In order to study trust in governments during a recession empirically, we need a working operationalisation of the term *economic recession*.

The average level in GDP growth was 0,99 and the average unemployment rate was 7,1 for the sample of eight countries as a whole from 2005 to 2010. In the first test (table 4.1 ), the “no crisis”-sample, contains the data from respondents living under conditions of a healthy economy. A healthy economy is operationalised as having a level of GDP growth above 2 % and at the same time, having an unemployment rate below 5. In the next sample, where we measure the effect of economic recession on trust, I operationalise economic recession as having a GDP growth below -5, and an unemployment rate peaking 12 %.

In the second test (table 4.2), I run separates test of unemployment and GDP growth, respectively, to assess whether separate aspects of the economy affects trust in governments differently. I operationalised high unemployment as having an unemployment rate above average for the entire time period. A GDP recession was operationalised as having a value of GDP growth equal to zero or negative for the entire time period.

The aim of the analysis is to compare people living under different political systems, in the absence and presence of economic recessions. The analysis compares respondents both within and across countries from 2005-2010. I used matching in order to achieve a better balance of the data, so that respondents can be compared both within and across countries. However matching does not eliminate all possible differences between respondents. Similarly to using control variables, matching can only control for the variables that are included in the matching-process, and so variables left out of the matching can cause selection-bias, similarly to omitted variables (Angrist & Pischke 2008:69). I did try to make the Eurobarometer-respondents more equal and comparable with respect to the state of the economy, ideological placement of government and the level of life satisfaction of each respondent, as these factors may have a moderating effect on the probability of trusting ones government.

We seek to explore whether people are more likely to put their faith in a Social democratic or

conservative government during difficult times. The moderating effect of government ideology is assessed in two samples: First, in a context where we compare political systems severely hit by the economic downturn (Ireland 2008-2009 and Spain 2008-2009, to systems not severely hit (Austria 2006-2007, Denmark 2005, Ireland 2005-2006). Following our sampling-criteria, observations are selected based on existing observations for trust in EU-member states. In the next sample, we assess the sample as a whole, testing the effects of unemployment and GDP-recession separately in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden (2005-2010). The empirical analysis was done by splitting the data of the dependent variable into two groups: Respondents who reported that they tended to trust their national government, and respondents who reported that they tended not to trust their national governments. The difference in difference, or difference in means analysis compares the two groups according to incumbency ideology under two sets of economic conditions: One in which the respondents experience a high level of unemployment, and one in which the rate of GDP growth reaches a recession. The research design allows us to explore the moderating effect government ideology have on Eurobarometer respondents who do not experience economic hardship. Economic hardship makes up the treatment variable, and as in natural experiments, the difference in difference design compares the level of change of the dependent variable (trust in national governments) as a consequence of receiving the treatment (experiencing economic hardship). The coefficients from the DID- analysis represent the change of mean trust in centre-right and Social democratic governments, when comparing the change of the mean level of trust in the absence of the treatment, to the mean level of trust when receiving the treatment. This design makes it possible to measure how much legitimacy centre-right or Social democratic governments lose or gain as a consequence of economic hardship, *relative* to each other. The coefficients represent the relative changes in trust. Trust is a binary variable, measured on a scale from 0 to 1, where 1 means that the respondents “tend to trust” their national governments, and 0 implies respondents who “tend not to trust” their national governments. The level of life satisfaction is measured on a scale running from 1-4, where 4 is equal to respondents stating they are “Very satisfied” with their lives, a value equal to 3 means that the respondents are “Fairly satisfied”, while a value of 2 means “Not very satisfied”. A value of 1 is equal to respondents reporting being “Not at all satisfied”.

## **Chapter four. The empirical analysis**

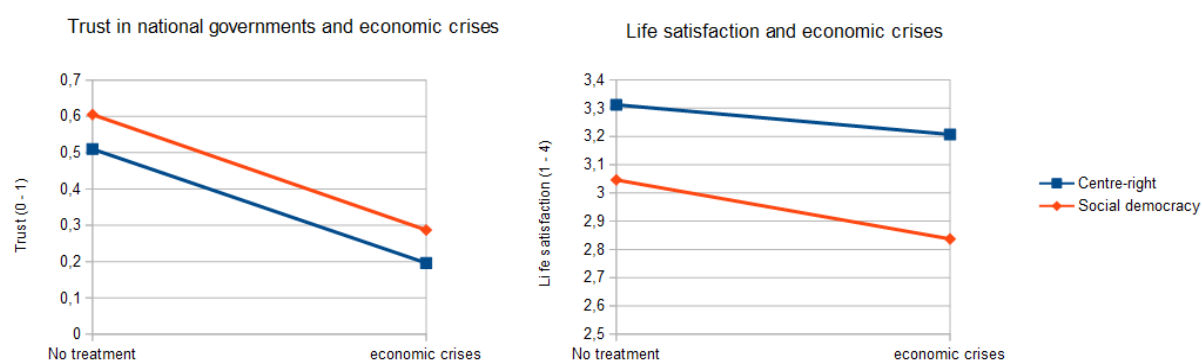
The initial sample (no crisis, table 4.1) compares Eurobarometer respondents during either a center-right or a social democratic national government during a deep economic recession (crisis, table 4.1). In table 4.1, the first column measures peoples level of trust, while living under healthy economic conditions, measures as having a GDP growth rate above 2, and having unemployment rates below 5. The countries that fit this definition of the economic state, were Austria in 2006 and 2007, Denmark in 2005, and Ireland in 2005 and 2006. Austria had a social democratic government in 2007, and apart from that, the remaining governments in the sample were centre-right. The next sample (Crisis, table 4.1), seeks to explain how peoples likelihood of trusting governments of different ideologies changes in the presence of an economic recession. In this test, the unemployment rates had to peak 12 %, while the economic growth rate was set to -5 or lower. Respondents from Ireland in 2009 and 2010 and Spain from 2009 an 2010 were the only countries in the sample that faced such a serious recession. Ireland still had a centre-right government, while Spain had a social democratic government.

The next test (table 4.2), we include the entire sample, assessing the effects of two treatments: high unemployment and GDP recession. For the sample of eight countries as a whole, the mean level of annual GDP growth was 0,99%, while the annual mean unemployment rate was 7,1 %. Trust in national governments and life satisfaction is assessed across all eight EU-member states in the data: Austria, Belgium, Denmark, Finland,Ireland, Italy, Spain and Sweden from 2005 to 2010. The aim of this test is to uncover some general trends on how macroeconomic conditions shape confidence in political institutions. I operationalised the first treatment, high unemployment as having an unemployment rate above average for the entire time period. The second treatment, GDP recession, was operationalised as having a value of GDP growth equal to zero or negative for the entire time period.

**Table 4.1 Trust and life satisfaction for respondents living under conditions of economic crisis**

<i>Trust</i>	Centre-right governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	t-value
No treatment	0.510 (0.499)	0.605 (0.489)	-0.094*	-7.6926
Crisis	0.196 (0.397)	0.287 (0.452)	-0.039*	-8.0045
<i>Life satisfaction</i>				
No treatment	3.312 (0.659)	3.046 (0.593)	0.266*	790.25
Crisis	3.207 (0.714)	2.837 (0.715)	-0.103*	785.27

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=11030



**Figure 4.1.** Trust and life satisfaction for respondents living under conditions of economic crisis. Source: Eurobarometer, ParlGov, the IMF and the OECD Social expenditure reference series.

Table 4.1 and figure 4.1 Shows the coefficients for trust and life satisfaction during social democratic and centre-right governments in the absence of, and during a crisis. In the absence of experiencing a crisis (no treatment), with GDP growth rates above 2%, and an

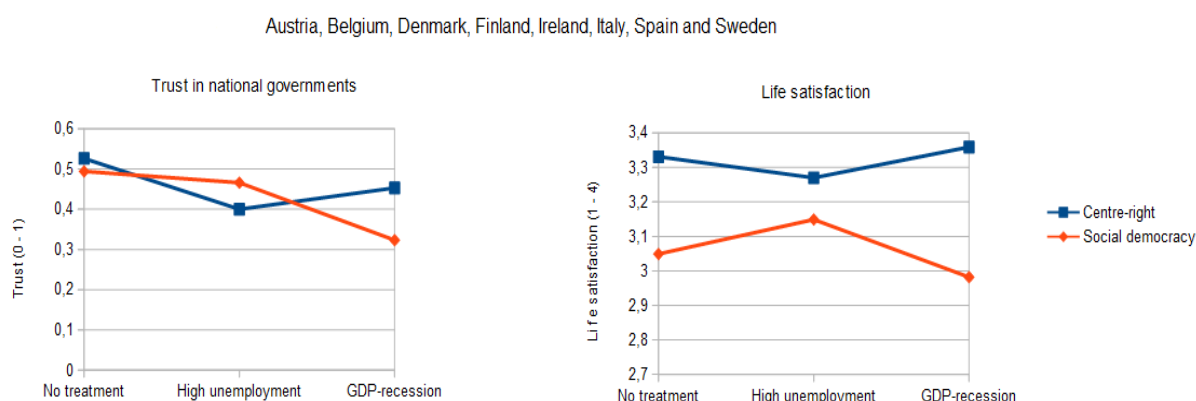


unemployment rate equal to less than 5 %, social democratic governments enjoyed 9,4 % more trust than did centre-right governments. As the respondents received the treatment, measured as having an unemployment rate above 12, and a GDP growth rate below -5, social democrats still enjoy a higher level of trust, although the treatment was associated with decreasing levels of trust for both government types. As a consequence of experiencing a recession, the probability of trusting a centre-right party dropped from 0,510 to 0,196, while social democrats experienced a drop from 0,605 to 0,287. The difference in differences between social democratic and centre-right governments were 3,9 %, with social democrats enjoying a higher level of trust. This means that going from a situation of a healthy economy to experiencing a crisis, social democrats lose less trust than do centre-right governments. Turning to life satisfaction, an economic crisis was associated with a decrease in life satisfaction under both types of governments. Initially, centre-right governments were associated with respondents reporting a higher level of life satisfaction compared to social democrats: in the absence of a treatment, respondents under a centre-right government had a level of life satisfaction equal to 3,3, while the level of life satisfaction was equal to 3 under social democratic governments. A value of 3 means that the Eurobarometer respondents felt “Fairly satisfied” with their lives in general. As with trust, the level of life satisfaction dropped when receiving the treatment, but contrary to the results on trust, the loss of legitimacy was greater for social democrats. The difference in differences were 10,3%, with respondents living under centre-right governments having the highest level of life satisfaction, with 3,2 and a level of life satisfaction equal to 2,8 for social democrats. This implies that social democrats were associated with a greater drop in the level of life satisfaction as a consequence of experiencing a crisis, compared to centre-right governments.

**Table 4.2 Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden.**

<i>Trust</i>	Centre-right governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	t-value
No treatment	0.526 (0.499)	0.494 (0.500)	0.032*	4.315
High unemployment	0.400 (0.489)	0.466 (0.498)	0.097*	12.982
GDP recession	0.453 (0.498)	0.323 (0.468)	-0.098*	-16.708
<i>Life satisfaction</i>				
No treatment	3.331 (0.654)	3.049 (0.649)	0.281	1326.6
High unemployment	3.270 (0.655)	3.149 (0.660)	0.160	750.1
GDP recession	3.359 (0.649)	2.982 (0.714)	-0.094	1400.6

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=101205.



**Figure 4.2.** Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden.

Source: Eurobarometer, ParlGov, the IMF and the OECD Social expenditure reference series.

Table 4.2 shows how rising unemployment and declining GDP growth affects trust and life satisfaction across Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden. The results indicate that experiencing rising unemployment and a GDP recession, decreases the probability of trusting both centre-right parties and social democrats in national governments. As a consequence of experiencing high unemployment, social democrats were associated with a level of trust 9,7 % higher than centre-right parties. Similarly, the results support the claim that centre-right governments maintain issue ownership in fiscal matters. In the full sample, centre-right governments were associated with a level of trust 9,8 % higher than social democrats as a consequence of experiencing a GDP recession. Turning to how the treatments affected the level of life satisfaction, centre-right governments were associated with a higher level of life satisfaction through high unemployment and through times of GDP recession. As respondents received the first treatment, high unemployment, the difference between life satisfaction under centre-right and social democratic government was 16 %, with centre-right governments associated with the highest level of life satisfaction. During a GDP recession, the difference in differences was 9,4 %, with centre-right governments being associated with the highest level of life satisfaction. Interestingly, and contrary to the results on trust, the level of life satisfaction increased slightly for respondents living under centre-right governments during GDP recession.

### 4.3 Summary of results

Building on Easton's typology of support in institutions, a more unstable economy generally seems to be associated with growing uncertainty that centre-right and social democratic political leaders are able to make the right decisions, while having the interest of the voters in mind. However liberal parties increased in popularity under conditions of GDP recessions (see appendix H). The results from the difference in difference-estimation also shows that unemployment has a different impact on trust than do GDP growth; People generally seem to trust incumbent politicians of the centre-right when facing a GDP recession, but seem to turn to Social democratic governments as unemployment rises.

Hypothesis 2.7 stated that *social democratic governments would maintain their level of trust compared to centre-right governments during times of high unemployment, while not being able to compete with the centre-right during times of GDP recessions.*

The results from both tests (table 4.1 and 4.2) shows that both centre-right parties and social democrats lose a significant level of trust when facing a recession. However, social

democrats seemed more competent at maintaining their level of trust vis-à-vis centre-right governments in the initial sample (table 4.1). Here, the difference in differences between social democratic and centre-right governments were 3,9 %, with social democrats enjoying a higher level of trust during a general economic hardship. However, these results are based on data from Austria in 2006 and 2007, Denmark in 2005, and Ireland in 2005 and 2006 (absence of economic crisis), as well as Ireland and Spain 2009-2010 (treatment). We need to question the potential for generalization of the findings shown in the initial test, concerning the size of the sample. Concerning high unemployment, social democrats did also have a slightly higher level of trust, as they gained an increase of 5% trust when facing a recession, compared to liberal parties (see appendix H).

Hypotheses 2.8 Stated that *centre-right parties are expected to increase their level of trust vis-a vis Social Democrats, when assessing the effect of declining economic growth separately*. The data did support the stated hypotheses, as center-right governments did enjoy a higher level of trust compared to social democrats, when assessing the effect of a GDP-recession separately (Table 4.2).

Hypotheses 2.9 stated that *liberal parties do not have issue ownership in fiscal policy or in unemployment, but are expected to gain popularity during economic hardship*. The results cannot say whether liberal parties actually did retrench or not, but liberal governments did have a higher level of trust compared to social democrats during a GDP-recession. During a GDP recession, liberals had a level of trust higher than social democrats, as they gained 20% in popularity when facing a recession (see appendix H).

Hypotheses 3.7 stated that *life satisfaction was expected to decrease when facing high unemployment rates and when encountering a GDP recession, and that life satisfaction is expected to increase for liberal parties during GDP recession*. In the first test of results (table 4.1), the results show that an economic crisis was associated with a declining level of life satisfaction under both centre-right and social democratic governments.

In the next test (table 4.2), life satisfaction decreased for respondents living under a center-right government during high unemployment, while the opposite was true for respondents living under a social democratic government. During a GDP recession, life satisfaction for people under a centre-right government increased, while the opposite was true for respondents living under a social democratic government (table 4.2).

The results of the empirical analysis indicates that the way in which economic hardship challenges the legitimacy of national governments, and how it affects peoples life satisfaction, varies according to party family, as well as to the issue ownership of parties. In generating our hypotheses, we assumed that people will punish political leaders as a consequence of growing uncertainty in the economy. This assumption did hold, except for liberal parties, who increased their popularity when facing economic hardship. Previous literature suggests that the constituency of liberal parties actually support social spending when facing recession, as suggested by Giger and Nelson (2011). An implication of this result and as suggested by Giger and Nelson (2011), future studies should consider the theoretical possibility that fully informed citizens do not punish political leaders during economic hardship. We hypothesised that Conservative parties enjoys the most established issue ownership in fiscal policies, and were expected to increase their level of trust vis-à-vis Social democrats when assessing the effect of economic growth separately. The empirical analysis have shown a general trend, showing Conservative governments enjoying a significantly higher level of trust during GDP recessions, compared to Social democrats. The empirical analyses have shown that the relationship between trust and economic recession is nuanced; The popularity of and the demand for the policies of different political ideologies depend on the type of economic hardship people are experiencing. While growing unemployment seems to raise the demand for parties with state-oriented economic policies, a GDP recession seems to increase the legitimacy for market-orientation solutions. Contrary to Bermeo & Bartels (2014:8), who claim that “the Great Recession did not cause striking changes in peoples' political perceptions and behavior”, we did find that the Great Recession was associated with changes in peoples' political perceptions, measured as confidence in key political institutions. Encountering economic hardship was associated with a decreasing level of confidence in national governments, and growing unemployment and GDP recessions had separate impacts on trust, depending on government ideology.

## Chapter five. Limitations and conclusion

### 5.1 Limitations

Adcock and Collier (2001) contend that the process of moving from ideas to observable indicators works through four steps. First, there is the background concept which usually take on a variety of meanings, in this case the concept of trust. Then, after having reflected upon the background concept, one move towards to the systematized concept which involves a more explicit definition applied by a scholar. The third level is where the indicators are developed in order to operationalise the systematised concept in a sufficient manner. Finally, the fourth level are the observable scores. This section evaluates the validity of the results in light of Adcock & Colliers three aspects of validity: content validity, criterion validity and construct validity (2001:537).

Taking the contested concept *trust* as our starting point and background concept, chapter two discussed the concept, and emphasized that trust is highly dependent on context. As mentioned in chapter two, trust contains many aspects. Citizens may use different criteria when evaluation different political institutions (the parliament, the police, the legal system, politicians). Measuring trust in institutions is complicated, and one can not simply add these judgments in different institutions together to form a scale of total political trust (Fisher et al., 2010; Zmerli & Hooghe, 2011:16). This means that when studying a vague or contested concept, one must apply it to a specific object. As Zmerli & Hooghe (2011) notes, “the advantage of studying trust in a specific institution is that it is cleared what is being measured , while the drawback is that only one part of the broader concept of political trust is being measured” (Zmerli & Hooghe, 2011:15). We operationalised *trust* as trust in national governments, based on the established literature on government performance and popularity (Key, 1966; Fiorina, 1981; Lewis-Beck, 1988; Easton, 1965a; Norris, 1999; Sanders, 2000; Veiga & Veiga, 2004; Kirchgässner, 2009). Relating to measurement validity, this is certainly a point that needs to be stressed: The Eurobarometers offers a range of variables reporting peoples' trust in political institutions that may be more relevant, and that capture a broader range of the background concept, such as political parties in general, the national parliament, the European Union, the European Parliament, the European Commission, the Council of the EU or the European Central Bank.

As Adcock & Collier notes, “a valid measurement is achieved when scores meaningfully

capture ideas in the corresponding concept” 2001:530). We cannot be sure that choosing trust in national governments offers the most promising measure of political trust during economic hardship: consequently, the content validity of our results, meaning “how well a given indicator adequately capture the full content of the systematized concept” (Adcock & Collier, 2001: 538), is limited. As matching requires a binary dependent variable (Ho, Imai, King & Stuart, 2007), I excluded the Eurobarometer-respondents reporting “Don't know” when asked whether they tended to trust their national governments. By excluding people that are not sure of if they have trust in government or not, the results might be biased, as it contains a much larger proportion of people having strong opinions, leaving out respondents that are uninformed or do not care about their feelings and opinions towards their government. This could potentially be a source of threat to the content validity of the results. As mentioned earlier, trust is highly dependent on context (Easton, 1975). As we have studied respondents across eight EU-member states, considering including a measure of trust in EU-institutions may capture more relevant aspects that relates to trust in institutions during the recession starting in 2007. Other studies have stressed that both political institutions at the national and the European level, affect trust during the recession in Europe (Hooghe & Marks 2005; Roth, Nowak-Lehman & Otter 2011; Roth 2009/2011; Tilley & Hobolt, 2014). Consequently, when choosing to measure trust as trust in national institutions, this is a trade-off, as we only measure one aspect of a broader background concept (Adcock & Collier 2011). In the same vein, further studies should more carefully examine whether national or EU-institutions are more relevant when studying peoples' trust during the recession starting in 2007. Although our results indicate that government ideology affects trust during economic hardship, moderated by party ideology, future studies may benefit from using a more comprehensive framework for operationalising ideology. This thesis utilised the three established measures when operationalising party ideology: family name, placements along the left-right value axis, and placements along the state-market axis. This operationalisation may be overly simplistic, as important aspects of government ideology that affects trust, may have been left out. This is a threat to the content validity of our inferences.

Secondly, our criterion validity, which “assesses whether the scores produced by an indicator are empirically associated with scores for other variables” (Adcock & Collier, 2001: 537), is low, as the concept political trust has different meanings, depending both on context, and on which political object or institution it is being empirically juxtaposed with (Fisher et al., 2010; Zmerli & Hooghe, 2011:16).

Lastly, we turn to construct validity. According to Adcock & Collier, construct validity means “whether a given indicator is empirically associated with other indicators in a way that conforms to theoretical expectations about their interrelationship” (2001: 537) . I interpret the findings from the empirical analysis as only lending more support to previous research between the state of the economy and incumbent popularity (Nannestad & Paldam, 1994; Roth et al. 2011, Roth, Nowak-Lehman & Otter, 2013; Lewis-Beck & Stegmaier, 2013, Giger and Nelson, 2011). Turning to issue ownership, we stated that it seemed somewhat unclear whether left-of-centre or right-of-centre parties were most successful in maintaining popularity and legitimacy during the recession (Bermeo & Bartels, 2014:200). In the initial test (table 4.1), social democrats were most successful in maintaining legitimacy as a consequence of hardship. However, as the data in the initial test only covered certain countries through a relatively short time span, the potential for generalisation of these results needs to be critically considered. The results from the full-sample assessment (table 4.2), squares well with previous studies and theoretical expectations on government ideology and issue ownership (Petrocik, 1996; Belanger & Meguid, 2008:477; Jensen & Mortensen 2014; Kayser & Wlezien, 2010:372; Van der Brug et al., 2007:14).

The European recession starting in 2007, had characteristics differing it from other recessions occurring in other contexts (Jónsson & Stefánsson 2013; Bermeo & Bartels 2014). As an implication, we cannot assume that our results can be generalised to other future recessions in the same sample as we have studied, or even in other political systems overlapping with the time period of this study. Moving our hypotheses to other context, such as former communist-countries, we might expect different results, as trust in political institutions is largely affected by the context in which one studies the phenomenon (Easton 1975). In fact, some authors claim that in some context, it does not make sense to apply the concept “political trust”, while in established democracies, as we have studied here, political trust has a meaning, although it still remains a contested concept (Zmerli & Hooghe 2001:3). Characteristics related to the political systems in our sample, as well as characteristics of this particular crisis, points to a low potential for assuming external validity.



## 5.2 Conclusion

A central task in this thesis has been to assess whether government ideology moderates the effect between the economy and incumbency popularity. As stated in the introduction, the link between the economy and support for political leaders is well established (Key, 1966; Fiorina, 1981; Lewis-Beck, 1988; Easton, 1965a; Norris, 1999; Sanders, 2000; Veiga & Veiga, 2004; Kirchgässner, 2009). However, most studies that have explored the relationship between support for governments and political variables, have mainly focused on institutional features and clarity of responsibility (Powell & Whitten, 1993:398; Hobolt, Tilley & Banducci, 2012; Lewis-Beck & Stegmaier, 2013:376; Tilley & Hobolt, 2014). The contribution of this thesis is its sole focus on whether government ideology has a moderating effect on trust, when assessing the relationship between the economy and incumbency popularity. The analysis estimated the mean differences in trust in centre-right governments versus social democratic governments in the absence and presence of economic hardship.

The empirical analysis has shown that trust in national governments generally drops as a consequence of a recession. However, trust and life satisfaction do not systematically follow the same paths as people experience economic hardship. The results did not find sufficient support for assuming that trust and life satisfaction are intertwined as concepts in a context of economic crises. Despite the claim that Social democrats have become more market-oriented in their economic policies (Jensen 2010), the analysis couldn't find any support of the claim that Social democrats have earned issue ownership in fiscal matters. For the sample as a whole, we found support for the claim that conservatives still have superior issue ownership on fiscal matters, while the opposite is true for social democrats during high unemployment. This gives support to the established literature on issue ownership (Petrocik, 1996; Belanger & Nadeau, 2015:909; Budge & Farlie, 1983; Egan, 2013, Belager & Meguid, 2008, Bermeo & Bartels 2014:186). However, knowing that the relationship between crises and confidence in political institutions are heavily influenced by context, we cannot assume the same patterns of trust and life satisfaction for crises occurring in different context, or for crisis emerging for other reasons than a financial or economic.

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## Appendix A

### Survey questions from Eurobarometer: trust in national governments and life satisfaction

#### *Trust in national governments*

I would like to ask you a question about how much trust you have in certain institutions.

For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.

Q.A12\_9 The (NATIONALITY) Government

1 Tend to trust

2 Tend not to trust

3 DK

9 Inap. CY-TCC (coded 33 in V6)

#### *Life satisfaction*

Would you say you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with each of the following things?

(SHOW CARD WITH SCALE)

(READ OUT)

Q.46\_1 With the life you lead

0 No answer (NO only)

1 Very satisfied

2 Fairly satisfied

3 Not very satisfied

4 Not at all satisfied

5 DK

## Appendix B

### List of all parties included in the analysis

<i>Country</i>	<i>Party name</i>	<i>Party name (English)</i>	<i>Party family</i>
<b>Austria</b>	Österreichische Volkspartei	Austrian peoples' Party	Christian democracy
	Sozialdemokratische Partei Österreichs	Social Democratic Party of Austria	Social democracy
<b>Belgium</b>	Partij voor Vrijheid en Vooruitgang	Party of Liberty and Progress	Liberal
	Parti Socialiste	Francophone Socialist Party	Social democracy
	Mouvement Réformateur	Reformist movement	Liberal
	Parti Social Chrétien	Francophone Christian Social Party	Christian democracy
	Parti Socialiste	Francophone Socialist Party	Social democracy
	Christen-Democratisch en Vlaams	Christian Democrats & Flemish	Christian democracy
<b>Denmark</b>	Venstre Konservative	Liberal party of Denmark Conservatives	Liberal Conservative
<b>Finland</b>	Suomen Sosialidemokraattinen/ Finlands Socialdemokratiska Parti	Social Democratic party of Finland	Social democracy
	Kansallinen Kokoomus/Samlingspartiet	National Coalition Party	Conservative
<b>Ireland</b>	Fianna Fail	Fianna Fail (Soldiers of Destiny)	Conservative
<b>Italy</b>	Partito Repubblicano Italiano	Republican Party	Liberal
<b>Spain</b>	Partido Socialista Obrero Español	Spanish Socialist Workers Party	Social democracy
<b>Sweden</b>	Socialdemokraterna	Social democrats	Social democracy
	Folkpartiet Moderaterna	Liberals Moderate Party	Liberal Conservative

## Appendix C

### Percentage balance improvement after matching the data by genetic matching

Variable	Genetic matching	Standard matching	Nearest-neighbor matching	Optimal matching	Subclass matching
Christian Democracy	-17. 6968	-17. 6968	-17. 6968	-17. 6968	53.1823
Conservative	77. 4184	77. 4184	77. 4184	77. 4184	32.4896
Liberal	52. 2806	52. 2806	52. 2806	52. 2806	79.0844
Social Democracy	86. 2571	86. 2571	86. 2571	86. 2571	- 381.8272
Left-right	64. 2280	64. 2280	64. 2280	64. 2280	77.9423
State-market	-9. 7779	-9. 7779	-9. 7779	-9. 7779	70.5829
Unemployment	32. 0622	32. 0622	32. 0622	32. 0622	84.9414
GDP growth	32. 0622	32. 0622	32. 0622	32. 0622	94.9116
Life satisfaction	27. 4929	27. 4929	27. 4929	27. 4929	81.8527

### How does matching affect the balance of the co-variates?

Most of the variables does benefit somewhat from matching. Looking at the first column, the balance of the main parties at interest, do not all benefit from matching. The balance of Christian democratic parties in government worsens by almost 18 %. The balance of Conservative parties improves by 77 %, while the balance of Liberals and Social democrats improves by 52 and 86 %, respectively. The left-right variable measuring government ideology improves by 64 %, while the state-market variable, measuring economic policies, worsens by almost ten percent. The macro-economic variables, unemployment and GDP growth both improves by 32 %. The variable measuring the Eurobarometer respondents level of life satisfaction improves by 27 %. Overall, the matching of data causes little overall changes in the balance of variables. The next four columns in the table above represents robustness-test of our results, having balanced the data via alternative matching- algorithms: standard-matching, matching by the nearest -neighbour, optimal matching and subclass matching (Ho, Imai, King & Stuart, 2007:206). All the alternative matching-techniques shows a change of balance identical to the chosen matching technique, genetic matching, except for the subclass-matching. Overall, this implies that the results from the analysis will not depend on the matching technique of choice for preprocessing the data.

## Appendix D

### Complete table of balance improvement after standard matching

Percent balance

improvement	Mean difference	eQQ median	eQQ mean	eQQ max
Distance	23.0922	14.4681	23.0955	18.9362
Christian Democracy	-17.6968	0.0000	-17.7215	0.0000
Conservative	77.4184	0.0000	77.4167	0.0000
Liberal	52.2806	0.0000	52.3066	0.0000
Social democracy	86.2571	0.0000	86.2500	0.0000
Left-right	64.2280	0.0000	64.2689	0.0000
State-market	-9.7779	0.0000	-9.7769	0.0000
Unemployment	32.0622	34.3747	32.0568	0.0000
GDP growth	27.3099	45.0980	24.9587	0.0000
Life satisfaction	27.4929	0.0000	27.4934	0.0000

Results from analysis on data after standard matching

### The impact of political ideology and crisis on trust and life satisfaction

*Table 5.1a: Trust and life satisfaction for respondents living under conditions of economic crisis*

Trust	Centre-right governments	Social democratic governments	<i>DID</i> ( <i>a-c</i> )-( <i>b-d</i> )	p-value	t-value
No crisis	0.510 (0.499)	0.605 (0.489)	-0.094*	2.094e-14	-7.6926
Crisis	0.196 (0.397)	0.287 (0.452)	-0.039*	1.455e-15	-8.0045

### Life satisfaction

No crisis	3.312 (0.659)	3.046 (0.593)	0.266*	2.2e-16	790.25
Crisis	3.207 (0.714)	2.837 (0.715)	-0.103*	2.2e-16	785.27

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=11030.



Table 5.1b: Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden

<b>Trust</b>	Centre-right governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No treatment	0.526 (0.499)	0.494 (0.500)	0.032*	1.616e-05	4.315
High unemployment	0.400 (0.489)	0.466 (0.498)	0.097*	2.2e-16	12.982
GDP recession	0.453 (0.498)	0.323 (0.468)	-0.098*	2.2e-16	-16.708
<b>Life satisfaction</b>					
No treatment	3.331 (0.654)	3.049 (0.649)	0.281	2.2e-16	1326.6
High unemployment	3.270 (0.655)	3.149 (0.660)	0.160	2.2e-16	750.1
GDP recession	3.359 (0.649)	2.982 (0.714)	-0.094	2.2e-16	1400.6

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=101205.

## Appendix E

### Complete table of balance improvement after nearest-neighbor matching

Percent balance

improvement	Mean difference	eQQ median	eQQ mean	eQQ max
Distance	23.0922	14.4681	23.0955	18.9362
Christian Democracy	-17.6968	0.0000	-17.7215	0.0000
Conservative	77.4184	0.0000	77.4167	0.0000
Liberal	52.2806	0.0000	52.3066	0.0000
Social democracy	86.2571	0.0000	86.2500	0.0000
Left-right	64.2280	0.0000	64.2689	0.0000
State-market	-9.7779	0.0000	-9.7769	0.0000
Unemployment	32.0622	34.3747	32.0568	0.0000
GDP growth	27.3099	45.0980	24.9587	0.0000
Life satisfaction	27.4929	0.0000	27.4934	0.0000

Results from analysis on data after nearest-neighbor matching

### The impact of political ideology and crisis on trust and life satisfaction

Table 5.2a: Trust and life satisfaction for respondents living under conditions of economic crisis

Trust	Centre-right governments	Social democratic governments	<i>DID</i> (a-c)-(b-d)	p-value	t-value
No crisis	0.510 (0.499)	0.605 (0.489)	-0.094*	2.094e-14	-7.6926
Crisis	0.196 (0.397)	0.287 (0.452)	-0.039*	1.455e-15	-8.0045

### Life satisfaction

No crisis	3.312 (0.659)	3.046 (0.593)	0.266*	2.2e-16	790.25
Crisis	3.207 (0.714)	2.837 (0.715)	-0.103*	2.2e-16	785.27

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=11030.

Table 5.2b: Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden

Trust	Centre-right governments	Social democratic governments	<i>DID</i> (a-c)-(b-d)	p-value	t-value
No treatment	0.526 (0.499)	0.494 (0.500)	0.032*	1.616e-05	4.315

High unemployment	0.400 (0.489)	0.466 (0.498)	0.097*	2.2e-16	12.982
GDP recession	0.453 (0.498)	0.323 (0.468)	-0.098*	2.2e-16	-16.708
<b>Life satisfaction</b>					
No treatment	3.331 (0.654)	3.049 (0.649)	0.281	2.2e-16	1326.6
High unemployment	3.270 (0.655)	3.149 (0.660)	0.160	2.2e-16	750.1
GDP recession	3.359 (0.649)	2.982 (0.714)	-0.094	2.2e-16	1400.6

\*p <0.05, \*\*p <0.01, \*\*\*p <0.001. Standard deviation in parentheses. N=101205.

## Appendix F

### Complete table of balance improvement after optimal matching

Percent balance

improvement	Mean difference	eQQ median	eQQ mean	eQQ max
Distance	23.0922	14.4681	23.0955	18.9362
Christian Democracy	-17.6968	0.0000	-17.7215	0.0000
Conservative	77.4184	0.0000	77.4167	0.0000
Liberal	52.2806	0.0000	52.3066	0.0000
Social democracy	86.2571	0.0000	86.2500	0.0000
Left-right	64.2280	0.0000	64.2689	0.0000
State-market	-9.7779	0.0000	-9.7769	0.0000
Unemployment	32.0622	34.3747	32.0568	0.0000
GDP growth	27.3099	45.0980	24.9587	0.0000
Life satisfaction	27.4929	0.0000	27.4934	0.0000

Results from analysis on data after optimal matching

### The impact of political ideology and crisis on trust and life satisfaction

*Table 5.3a: Trust and life satisfaction for respondents living under conditions of economic crisis*

Trust	Centre-right governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No crisis	0.510 (0.499)	0.605 (0.489)	-0.094*	2.094e-14	-7.6926
Crisis	0.196 (0.397)	0.287 (0.452)	-0.039*	1.455e-15	-8.0045

### Life satisfaction

No crisis	3.312 (0.659)	3.046 (0.593)	0.266*	2.2e-16	790.25
Crisis	3.207 (0.714)	2.837 (0.715)	-0.103*	2.2e-16	785.27

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=11030.

Table 5.3b: Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden

<b>Trust</b>	Centre-right governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No treatment	0.526 (0.499)	0.494 (0.500)	0.032*	1.616e-05	4.315
High unemployment	0.400 (0.489)	0.466 (0.498)	0.097*	2.2e-16	12.982
GDP recession	0.453 (0.498)	0.323 (0.468)	-0.098*	2.2e-16	-16.708
<b>Life satisfaction</b>					
No treatment	3.331 (0.654)	3.049 (0.649)	0.281	2.2e-16	1326.6
High unemployment	3.270 (0.655)	3.149 (0.660)	0.160	2.2e-16	750.1
GDP recession	3.359 (0.649)	2.982 (0.714)	-0.094	2.2e-16	1400.6

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=101205.

## Appendix G

### Complete table of balance improvement after subclass- matching

Percent balance improvement	Mean difference	eQQ median	eQQ mean	eQQ max
Distance	88.3390	85.0024	87.1746	83.2211
Christian Democracy	53.1823	0.0000	-32.5683	0.0000
Conservative	32.4896	0.0000	-197.2920	0.0000
Liberal	79.0844	0.0000	-163.2183	0.0000
Social democracy	-381.8272	0.0000	-2764.8370	0.0000
Left-right	77.9423	0.0000	-289.3277	0.0000
State-market	70.5829	0.0000	-8.3435	0.0000
Unemployment	84.9414	96.3618	71.5526	62.5952
GDP growth	94.9116	53.7001	-14.8012	-102.2003
Life satisfaction	81.8527	0.0000	81.8455	67.1871

The subclass-matching did not render enough observations to report results from the DID-analysis.

## Appendix H

### Liberal parties

Table 5.4a Trust and life satisfaction in Austria, Belgium, Denmark, Finland, Ireland, Italy, Spain and Sweden

<b>Trust</b>	Liberal governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No treatment	0.485 (0.498)	0.494 (0.500)	-0.010*	2.31e-07	-5.1764
High unemployment	0.461 (0.498)	0.466 (0.498)	-0.005	0.341	0.9522
GDP recession	0.515 (0.499)	0.323 (0.468)	-0.202*	2.2e-16	-23.1922
<b>Life satisfaction</b>					
No treatment	3.471 (0.637)	3.049 (0.649)	0.421	2.2e-16	1887.2
High unemployment	3.2037 (0.679)	3.149 (0.660)	0.367	2.2e-16	380.57
GDP recession	3.418 (0.635)	2.982 (0.714)	-0.013	2.2e-16	1566.3

\*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001. Standard deviation in parentheses. N=140858.

## Appendix I

### Results from analysis using a binary operationalisation of the variable life satisfaction (0-1)

Life satisfaction	Liberal governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No treatment	0.91513039 (0.278)	0.89008322 (0.312)	-0.0615*	2.2e-16	9.9219
Crisis	0.88097846 (0.323)	0.78872298 (0.408)	0.0250 *	2.2e-16	10.6214

\*p <0.05, \*\*p <0.01, \*\*\*p <0.001. Standard deviation in parentheses. N=11030.

#### Full sample

Life satisfaction	Liberal governments	Social democratic governments	<i>DID</i> <i>(a-c)-(b-d)</i>	p-value	t-value
No treatment	0.922 (0.267)	0.853 (0.354)	0.068*	2.2e-16	13.869
High unemployment	0.917 (0.276)	0.883 (0.321)	0.036*	2.2e-16	-11.243
GDP recession	0.930 (0.255)	0.810 (0.392)	-0.094*	2.2e-16	9.922

\*p <0.05, \*\*p <0.01, \*\*\*p <0.001. Standard deviation in parentheses. N=101205.